



Chippewa Township  
(mecosta)  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
54-1040  
March 31, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Chippewa Township</b>	County <b>Mecosta</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>7/30/04</b>	Date Accountant Report Submitted to State: <b>9/16/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Brickley Delong, PLC</b>			
Street Address <b>500 Terrace Plaza</b>		City <b>Muskegon</b>	State <b>MI</b>
Accountant Signature <i>Matthew D. Carter, C.P.A. for Brickley Delong, PLC</i>		ZIP <b>49443</b>	Date <b>9/16/04</b>

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**BRICKLEY DeLONG**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

July 30, 2004

Township Board  
Chippewa Township  
Chippewa Lake, Michigan

We have audited the accompanying general purpose financial statements of Chippewa Township as of and for the year ended March 31, 2004 as listed in the table of contents. These general purpose financial statements are the responsibility of Chippewa Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Chippewa Township as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules as provided on pages 21 and 22 are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Chippewa Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Brickley DeLong, PLC*

Chippewa Township  
**COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUP**  
 March 31, 2004

	ASSETS			
	Governmental fund types		Proprietary fund type	Fiduciary fund types
	General	Special revenue	Enterprise	Trust and Agency
Cash and investments	\$ 165,891	\$ 71,671	\$ 16,757	\$ 56,434
Receivables				
Taxes	12,597	-	-	-
Special assessments	-	27,218	133,861	-
Due from other governmental units	11,518	-	10,234	-
Restricted cash	-	-	39,759	-
Property and equipment—at cost net of accumulated depreciation	-	-	1,687,095	-
	<u>\$ 190,006</u>	<u>\$ 98,889</u>	<u>\$ 1,887,706</u>	<u>\$ 56,434</u>
				<u>\$ 125,044</u>
				<u>\$ 125,044</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Current maturities of long-term debt	\$ -	\$ -	\$ 30,000	\$ -
Accounts payable	-	-	15,900	-
Due to other governmental units	-	-	-	11
Deferred revenue	-	27,218	-	-
Long-term debt, less current maturities	-	-	275,000	-
	<u>-</u>	<u>27,218</u>	<u>320,900</u>	<u>11</u>
FUND EQUITY				
Investment in general fixed assets	-	-	-	125,044
Contributed capital	-	-	1,028,700	-
Retained earnings	-	-	39,759	-
Reserved	-	-	498,347	-
Unreserved	-	-	-	-
Fund balances	-	-	-	-
Reserved for pension benefit	-	-	-	56,423
Reserved for Chippewa Lake weed control	-	71,671	-	-
Undesignated	190,006	-	-	-
	<u>190,006</u>	<u>71,671</u>	<u>1,566,806</u>	<u>56,423</u>
	<u>\$ 190,006</u>	<u>\$ 98,889</u>	<u>\$ 1,887,706</u>	<u>\$ 56,434</u>
				<u>\$ 125,044</u>
				<u>\$ 125,044</u>

The accompanying notes are an integral part of this statement.

Chippewa Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES—ALL GOVERNMENTAL FUND TYPES**  
 Year ended March 31, 2004

	Governmental fund types	
	General	Special Revenue
Revenues		
Taxes	\$ 110,409	\$ -
Intergovernmental revenues - state	91,961	-
Charges for services	3,388	-
Investment income	3,066	-
Other	6,306	85,185
	<u>215,130</u>	<u>85,185</u>
Expenditures		
Current		
Legislative		
General government	13,605	-
Public safety	78,412	-
Public works	39,674	-
Culture and recreation	82,780	12,664
Other governmental functions	7,663	-
	<u>4,950</u>	<u>-</u>
	<u>227,084</u>	<u>12,664</u>
Excess of revenues over (under) expenditures	(11,954)	72,521
Fund balances (deficit) at April 1, 2003	<u>201,960</u>	<u>(850)</u>
Fund balances at March 31, 2004	<u>\$ 190,006</u>	<u>\$ 71,671</u>

The accompanying notes are an integral part of this statement.

Chippewa Township  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE—BUDGET AND ACTUAL—GENERAL FUND**  
 Year ended March 31, 2004

	General Fund			Special Revenue		
	Amended budget	Actual	Over (under) amended budget	Amended budget	Actual	Over (under) amended budget
<b>Revenues</b>						
Taxes	\$ 119,907	\$ 110,409	\$ (9,498)	\$ -	\$ -	\$ -
Intergovernmental revenues - state	88,687	91,961	3,274	-	-	-
Charges for services	4,339	3,388	(951)	-	-	-
Interest income	3,000	3,066	66	-	-	-
Other	10,850	6,306	(4,544)	86,000	85,185	(815)
	<u>226,783</u>	<u>215,130</u>	<u>(11,653)</u>	<u>86,000</u>	<u>85,185</u>	<u>(815)</u>
<b>Expenditures</b>						
Current						
Legislative	14,974	13,605	(1,369)	-	-	-
General government	131,224	78,412	(52,812)	-	-	-
Public safety	129,624	39,674	(89,950)	-	-	-
Public works	82,823	82,780	(43)	54,500	12,664	(41,836)
Culture and recreation	13,200	7,663	(5,537)	-	-	-
Other governmental functions	11,500	4,950	(6,550)	-	-	-
	<u>383,345</u>	<u>227,084</u>	<u>(156,261)</u>	<u>54,500</u>	<u>12,664</u>	<u>(41,836)</u>
Excess of revenues over (under) expenditures	\$ (156,562)	(11,954)	\$ 144,608	\$ 31,500	72,521	\$ 41,021
Fund balances (deficit) at April 1, 2003		201,960			(850)	
Fund balances at March 31, 2004		<u>\$ 190,006</u>			<u>\$ 71,671</u>	

The accompanying notes are an integral part of this statement.

Chippewa Township  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN RETAINED EARNINGS—ENTERPRISE FUND TYPE**  
 Year ended March 31, 2004

Operating revenues	
Charges for services	\$ 140,926
Operating expenses	
Operations	140,970
Depreciation	58,235
	<u>199,205</u>
Operating loss	(58,279)
Non-operating revenues (expenses)	
Investment income	6,383
Connecting fees	7,519
Interest expense	(18,975)
	<u>(5,073)</u>
NET LOSS	(63,352)
Depreciation charged to contributed capital	34,290
Retained earnings at April 1, 2003	<u>567,168</u>
Retained earnings at March 31, 2004	<u><u>\$ 538,106</u></u>

The accompanying notes are an integral part of this statement.



Chippewa Township  
**STATEMENT OF CASH FLOWS—ENTERPRISE FUND TYPE**  
Year ended March 31, 2004

Operating activities	
Operating loss	\$ (58,279)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	58,235
Funds for operations	(44)
(Increase) decrease in operating assets	
Accounts Receivable	3,510
Due from other governmental units	(2,512)
	<u>998</u>
Increase in operating liabilities	
Accounts payable	7,049
Net cash provided by operating activities	<u>8,003</u>
Capital and related financing activities	
Connecting fees	7,519
Principal payments on long-term debt	(25,000)
Interest expense	<u>(18,975)</u>
Net cash used for capital and related financing activities	(36,456)
Investing activities	
Investment income	<u>6,383</u>
DECREASE IN CASH AND INVESTMENTS	(22,070)
Cash and investments at April 1, 2003	
Cash and investments at March 31, 2004	<u>78,586</u>
	<u>\$ 56,516</u>
Cash and investments	
Operating	\$ 16,757
Restricted	<u>39,759</u>
	<u>\$ 56,516</u>

The accompanying notes are an integral part of this statement.

Chippewa Township  
Pension Trust Fund  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
Year ended March 31, 2004

<b>ADDITIONS</b>		
Employer contributions	\$ 4,478	
Employee contributions	<u>1,542</u>	
	6,020	
Investment income		
Net appreciation in fair value	<u>14,701</u>	
	20,721	
<b>DEDUCTIONS</b>		
Investment fees	<u>235</u>	
<b>NET INCREASE FOR THE YEAR</b>		
	20,486	
Net assets held in trust for pension benefits at April 1, 2003	<u>35,937</u>	
Net assets held in trust for pension benefits at March 31, 2004	<u>\$ 56,423</u>	

The accompanying notes are an integral part of this statement.

Chippewa Township  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
March 31, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Chippewa Township (Township) are prepared in accordance with generally accepted accounting principles. The Township's reporting entity applies all relevant Governmental Account Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**1. Reporting Entity**

Chippewa Township is a common law township governed by an elected five member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

**2. Fund Accounting**

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device used to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The following fund categories (further divided by fund type) and account groups are used by the Township:

***Governmental Funds***

Governmental funds are used to account for the Township's general government activities. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The special revenue fund accounts for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

***Proprietary Funds***

Proprietary funds account for activities of the Township similar to those found in the private sector, where cost recovery and the determination of net income is useful or necessary for sound fiscal management. Enterprise funds are used to account for those operations that provide services to the public.

Chippewa Township  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

2. Fund Accounting—Continued

*Fiduciary Funds*

Fiduciary funds account for assets held by the Township on behalf of others in a fiduciary capacity. Pension trust funds account for assets held in a fiduciary capacity for employee retirement. Agency funds account for assets the Township holds on behalf of others.

*Account Group*

The general fixed assets account group is used to account for fixed assets not accounted for in the proprietary fund.

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers all revenues available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Township and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Chippewa Township  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus and Basis of Accounting—Continued

Proprietary funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The accrual basis of accounting is used for proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Pension funds are custodial in nature and utilize accrual accounting. Agency funds are custodial in nature and do not measure results of operations or have a measurement focus.

4. Assets, Liabilities and Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of six months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools, and certain mutual funds.

Pension plan investments are reported at fair value. The Township's pension trust investments are held in trust by the investment fiduciary, The Manufacturer's Life Insurance Company. The Michigan Compiled Laws, Section 38.1132, authorizes the Township to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real or personal property.

b. Restricted Assets

Township Board actions and bond covenants of the Township's proprietary fund type require portions of the debt proceeds as well as other resources to be set aside for various purposes. These amounts are reported as restricted assets.

Chippewa Township  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Equity—Continued

c. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Delinquent utility billings are placed on the tax roll and are therefore considered to be ultimately collectible.

The Township bills and collects its own property taxes. Taxes are levied on December 1 and are due without penalty on or before February 14. The property taxes attach as an enforceable lien on property as of December 1. Uncollected real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all of these delinquent real property taxes. Collection of delinquent personal property taxes as of February 28 remain the responsibility of the Township Treasurer.

The 2003 taxable value for the Township was \$36,279,650 on which ad valorem taxes were levied at 1.1561 mills for operating purposes, .9430 mills for roads, and .9430 mills for fire. These amounts are recognized in the General Fund.

d. Property and Equipment

Property and equipment used in governmental fund types of the Township are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Chippewa Township  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Equity—Continued

d. Property and Equipment—Continued

Property and equipment in the proprietary fund of the Township are recorded at cost. Property and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property and equipment are depreciated in the proprietary fund of the Township utilizing the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40-50
System infrastructure	40-100
Machinery and equipment	5-10

e. Long-Term Obligations

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

f. Fund Equity

Reservations of fund balance and retained earnings represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

Chippewa Township  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

5. Combining Statements

The Township operates a single enterprise fund; therefore, no combining statements for these groups of funds are presented.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

***Budgetary Information***

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements.

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first Tuesday in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.



Chippewa Township  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED  
March 31, 2004

NOTE C—DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of March 31, 2004, the Township's carrying amount of deposits was \$85,052 and the bank balance was \$44,342. Of the bank balance, \$44,342 was covered by federal depository insurance.

2. Investments

As of March 31, 2004, the Township's investments represented holdings in investment pools, certificates of deposit with original maturities of longer than six months and mutual funds.

During the year ended March 31, 2004, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Township's name. As of March 31, 2004, the Township had Category 1 certificates of deposit with carrying values approximating market values of \$48,161. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of March 31, 2004, the Township's fair value amount in those pools and mutual funds was \$217,299.

The composition of pension trust fund investments at fair value is included in the previous paragraph and shown in the following table:

Guaranteed accounts	\$ <u>56,423</u>
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Chippewa Township  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2004

**NOTE D—RESTRICTED ASSETS**

Restrictions are placed on assets by bond ordinance and Township Board action. At March 31, 2004, restricted cash of \$39,759 in the Enterprise Fund was set aside for debt retirement.

**NOTE E—PROPERTY AND EQUIPMENT**

1. Summary of Property and Equipment

Property and equipment consists of the following at March 31, 2004:

	<u>Enterprise</u>	<u>General fixed assets account group</u>
Buildings	\$ 17,332	\$ 47,967
Machinery and equipment	6,995	44,370
Land and improvements	-	32,707
Sewer infrastructure	<u>2,843,610</u>	<u>-</u>
	2,867,937	125,044
Less accumulated depreciation and amortization	<u>(1,180,842)</u>	<u>-</u>
	<u>\$ 1,687,095</u>	<u>\$125,044</u>

2. Summary of Changes in General Fixed Assets

Changes in the components of general fixed assets account group are summarized as follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
Buildings	\$ 47,967	\$ -	\$ -	\$ 47,967
Machinery and equipment	44,370	-	-	44,370
Land and land improvements	<u>32,707</u>	<u>-</u>	<u>-</u>	<u>32,707</u>
	<u>\$125,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$125,044</u>

Chippewa Township  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2004

**NOTE F—LONG-TERM DEBT**

**1. Summary of and Changes in Long-Term Debt**

Long-term debt of the Enterprise Fund was comprised of the following:

	Balance April 1, <u>2003</u>	<u>Retirements</u>	Balance March 31, <u>2004</u>
\$395,000 General Obligation Sanitation drain bonds of 1999 due in annual installments of \$25,000 to \$35,000 through 2012; interest at 4.75%	\$ <u>330,000</u>	\$ <u>25,000</u>	\$305,000
Less current maturities			<u>(30,000)</u>
			<u>\$275,000</u>

The Township was in compliance in all material respects with all the bond ordinances at March 31, 2004.

**2. Summary of Annual Requirements**

The annual requirements to debt service, including interest of \$89,703 on the long-term obligations outstanding at March 31, 2004 are as follows:

<u>Year ending March 31</u>	<u>Amount</u>
2005	\$ 47,538
2006	45,813
2007	49,088
2008	47,075
2009	45,063
2010-2012	<u>160,126</u>
	<u>\$394,703</u>

**Chippewa Township**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2004

**NOTE G—OTHER INFORMATION**

**1. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities are reported when it is probable that a loss, if any, has occurred in excess of the insurance coverage, and the amount of the loss can be reasonably estimated. Settled claims have not exceeded insurance coverage in the past three years.

**2. Segment Information for Enterprise Fund**

Chippewa Township maintains a fund which provides sewer services. Segment information for the year ended March 31, 2004 is as follows:

Operating revenues	\$ 140,926
Depreciation	58,235
Operating loss	(58,279)
Net loss	(63,352)
Credit arising from transfer of depreciation to contributed capital	34,290
Net working capital	154,711
Total assets	1,887,706
Bonds payable from operating revenues	305,000
Total equity	1,566,806

**3. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.

**NOTE H—PENSION PLAN**

The Township provides pension benefits for all of its elected officials through a money purchase defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan is administered through an independent third party, and contributions are based on annual earnings. For the year ended March 31, 2004, the contribution to the Plan by the Township was \$4,478, which represents 7.5 percent of covered payroll.

**COMBINING AND INDIVIDUAL FUND  
AND ACCOUNT GROUP STATEMENTS**

Chippewa Township  
Trust and Agency Fund  
**COMBINING BALANCE SHEET**  
March 31, 2004

ASSETS

ASSETS	<u>Combined</u>	<u>Pension Trust Fund</u>	<u>Tax Collection Fund</u>
Cash and investments	56,434	56,423	11
	\$ 56,434	\$ 56,423	\$ 11

LIABILITIES AND FUND BALANCES

Liabilities	11	-	11
Due to other governmental units			
Fund balances			
Reserved for pension benefits	\$ 56,423	\$ 56,423	\$ -
	\$ 56,434	\$ 56,423	\$ 11

Chippewa Township  
Agency Fund  
Tax Collection Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2004

	April 1, 2003	Additions	Deductions	March 31, 2004
ASSETS				
Cash	\$ 424	\$ 1,124,480	\$ 1,124,893	\$ 11
	<u>\$ 424</u>	<u>\$ 1,124,480</u>	<u>\$ 1,124,893</u>	<u>\$ 11</u>
LIABILITIES				
Due to other funds	\$ -	\$ 162,664	\$ 162,664	\$ -
Due to other governments	<u>424</u>	<u>961,816</u>	<u>962,229</u>	<u>11</u>
	<u>\$ 424</u>	<u>\$ 1,124,480</u>	<u>\$ 1,124,893</u>	<u>\$ 11</u>